

D.P.U. 93-7C (Interim)

Application of Nantucket Electric Company:

(1) under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. 193B, for approval by the Department of Public Utilities of a interim change in the quarterly fuel charge to be billed to the Company's customers pursuant to meter readings in the billing month of October 1993; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. 8.00. The rules established in 220 C.M.R. 8.00 set forth the filings to be made by electric utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utilities Regulatory Policies Act of 1978.

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FOR: NANTUCKET ELECTRIC COMPANY  
Petitioner

I. INTRODUCTION

On September 2, 1993, pursuant to G.L. c. 164, § 94G and 220 C.M.R. 8.00, Nantucket Electric Company ("Nantucket" or "Company") notified the Department of Public Utilities ("Department") of the Company's intent to file an interim change to its fuel charge in conformance with its tariff, M.D.P.U. 193B. Subsequently, the Company filed an interim change to its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 193B. The Company requested that both these changes be effective for bills issued pursuant to meter readings for the billing month of October, 1993. The matter was docketed as D.P.U. 93-7C.

Pursuant to notice duly issued, a public hearing on the Company's application was held on September 23, 1993, at the Department's offices in Boston. Notice of the hearing was published by the Company in the Nantucket Inquirer and Mirror. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings.

At the hearing, the Company sponsored one witness: Douglas Kenward, director of planning and regulatory affairs for the Company. In addition, the Company submitted four exhibits, which were admitted into evidence. On September 30, 1993, the Company

submitted one additional exhibit, its proposed QF power purchase rates for October 1993<sup>1</sup>.

Nantucket supplies electricity at retail cost to the Island of Nantucket, which is not interconnected with the mainland or with any other electric company or system. Thus, the Company is distinguishable from most other New England utilities in that it is completely dependent on itself and any nonutility power producers on Nantucket Island for its generation needs. The Company's generating plant consists of thirteen internal combustion (diesel) engines and associated generators, variously sized from 700 kilowatts ("KW") to 6,900 KW, with a total installed generating capacity of approximately 32,250 KW. The Company has 7,540 customers on a monthly basis, of which approximately 2,000 are year-round customers. In its 1992 annual report to the Department, the Company reported retail revenues of \$11,940,184 from the sale of 83,661 megawatthours of electricity.

## II. FUEL CHARGE

On September 15, 1993, the Company filed with the Department its proposed changes to its fuel charge rates for October 1993. On September 30, 1993, the Company filed its proposed changes to its QF purchase power rates for October 1993. For this billing month, the Company proposes a fuel charge of \$0.07075 per kilowatthour ("KWH") (Exh. N-2, at 2; Tr. at 8). The proposed

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<sup>1</sup> The QF power purchase rates have been designated as Exhibit N-5, and are hereby admitted into evidence.

fuel charge is \$0.01798 per KWH more than the fuel charge of \$0.05277 per KWH approved by the Department in Nantucket Electric Company, D.P.U. 93-7B (1993) for meter readings for the billing months of August, September, and October 1993. Nantucket made no change to its unit fuel price projections from its previous filing (Tr. at 11). The Company, however, did change its kilowatthour sales projections for the month of October, 1993 (id. at 14). The Company attributed the sales projection change to incorrect sales forecasts for October in the previous filing (id.).<sup>2</sup>

In its calculation of the proposed fuel charge, the Company first estimated the cost of fuel and purchased power for the one month period commencing October 1, 1993 at \$291,733.82 (Exh. N-2, at 3). From this amount, Mr. Kenward added \$176,380.40 to take into account the reconciliation for the prior four-month period (id.). This results in a total to be collected of \$468,114.22 which is divided by the estimated sales of 6,616,261 KWH (for the month commencing October 1, 1993) resulting in the proposed fuel charge of \$0.07075 (id.).

Mr. Kenward testified that the increase in the fuel charge is attributable to the incremental expense associated with operating combustion turbine generators required to provide the

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<sup>2</sup> The Company noted that the increase in the projected sales would have the effect of lessening the impact of the incremental costs associated with the Unit 7 outage (Tr. at 14).

Company with sufficient capacity while an overhaul of Unit 7, the Company's largest generator, is being performed (Exh. N-2, at 3; Tr. at 8). The Company estimated that the combustion turbines which are running in place of Unit 7 burn approximately 40 percent more fuel than Unit 7 (Tr. at 8). Mr. Kenward further testified that the Company had expected Unit 7 to be back in service by the end of July 1993, but the unit continued to be inoperable as of the date of the hearing in this proceeding id. at 9). Mr. Kenward stated that the Company attempted to restart Unit 7 as originally scheduled, but the Unit experienced technical problems and was out of service id. at 10). Mr. Kenward estimated Unit 7 would be returned to service in approximately three weeks id.).

### III. QUALIFYING FACILITIES

Pursuant to the Department's rules in 220 C.M.R. § 8.00 ~~et seq.~~, rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to the governing regulations, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated energy rate i.e., a total period rate,

which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b).

The Company proposed the following standard rates to be paid to QFs during October 1993:

Energy Rates By Voltage Level (Mills/KWH)

| <u>Voltage Level</u> | <u>Peak</u> | <u>Off-Peak</u> | <u>Total</u> |
|----------------------|-------------|-----------------|--------------|
| Primary              | \$0.06300   | \$0.06057       | \$0.06216    |

Short-Run Capacity Rates (Mills/KWH)

| <u>Voltage Level</u> | <u>Short Run Capacity Rate</u> |
|----------------------|--------------------------------|
| Primary              | \$0.021928                     |

#### IV. FINDINGS

G.L. c, 164, § 94G(b) provides that, upon request of an electric company and after public hearing, the Department may approve an interim adjustment in the fuel charge upon a finding that actual fuel costs exceed the approved quarterly estimates by more than ten percent. The Department finds that Nantucket has made a showing of higher-than-anticipated fuel expenses sufficient to exceed the statutory threshold.

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing month of October 1993, shall be \$0.07075 per KWH. (The calculation of the fuel charge is shown in Table (1) attached to this Order.); and
2. that the qualifying facility power purchase rates for

October 1993, shall be the rates set forth in Section III above.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Nantucket Electric Company is authorized to put into effect an interim fuel charge of \$0.07075 per KWH as set forth in Section IV, Finding 1 of this Order for bills issued pursuant to meters reading for the billing month of October 1993; and it is

FURTHER ORDERED That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED That the Company's Qualifying Facility power purchase rates for the billing month of October 1993, shall be those set forth in Section III of this Order; and it is

FURTHER ORDERED That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings



with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED That, pursuant to G.L. c. 164, § 94G(a) and (b), fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges.

By Order of the Department,